

the latter is a debtor to, or owes the cost to, the French exporter. Now expand the illustration to the dimensions of the aggregate trade between the two countries—reciprocal purchases and sales—so that some English merchants owe money to French merchants for commodities which the former have received, while other English traders are creditors of different French merchants for goods which the latter have bought. How is this mutual indebtedness, part one way, part the other, to be settled?—all settlements, it being remembered, though effected through the immediate agency of cheques and bills of exchange, depending ultimately upon the payment and receipt of gold.

As the two countries have different coins the first question obviously to examine is the relative value of the coins in respect of the pure gold which the sovereign and the franc respectively contain, since that number of francs alone is equal to and exchangeable for a number of sovereigns when the number of francs and the number of sovereigns are composed of the same quantity of pure metal. It is found that the pure gold in about 25-22 francs (more exactly 25-2215 or 25 francs and $\frac{1}{4}$ of a franc) is precisely the same in quantity as the pure gold in one sovereign. Hence 25-22 francs can be exchanged for a sovereign without loss to either party to the transaction.

But it would clearly be most inconvenient and cumbrous— involving also the cost of carriage across the Channel, and the premium upon the insurance of the gold to cover the risk of loss through shipwreck—that France as a whole (or an industrial trader in France) should remit gold to pay debts due in England for purchased goods, and, conversely, for a merchant or a body of merchants in England to discharge their debts in France by a similar process. Hence, just as we pay and receive payment of our debts in England between one another by cheques, so this indebtedness between one country and another, resulting from mutual trading, is settled by foreign bills of exchange.

A bill of exchange, passing between

merchants trading with each other in England, has been explained as simply an order made by the person who has sold goods upon him who has